

TRANSPORTATION REPORT

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To: Montana Wheat & Barley Committee

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Will There Be A Nationwide Railroad Strike on December 6th?

Three of the major railroad unions are still negotiating with the Class I carriers over their constituents' contracts but many experts and insiders are not too concerned that a national strike will actually take place on December 6th. The Brotherhood of Maintenance of Way Employees has stated publically that even if December 6th passes, the organization and its members would still be willing to continue to negotiate up through February.

Many rail shippers are deeply concerned that present negotiations between the operators and unions will not be enough to prevent railroad workers from striking on December 6th. So far 10 of the 13 major unions (60 percent of all railroad employees) appear to have come to terms with the Class I carriers. The carriers involved in these negotiations include Union Pacific Railroad, BNSF Railway, CSX Transportation, Norfolk Southern and Kansas City Southern Railway.

Prior to the 30 day "cooling period" where the two major factions negotiate with one another before unions are permitted to strike, the Obama administration had appointed a Presidential Emergency Board with the intention of brokering a deal between the two groups in conflict.

The board offered recommendations that include increasing the pay to 18.6 percent over six years, which the Class I carriers found annoying but still a feasible concession.

Before the 30 day period had even come into effect, the train operators had managed to negotiate a 17 percent increase over six years with three of the unions. Several more were swayed by the terms set by the Presidential Emergency Board, bringing the total number of satisfied unions to 10. However, three still remain unappeased. They include the Brotherhood of Locomotive Engineers and Trainmen, the Brotherhood of Maintenance of Way Employees, and the American Train Dispatchers Association. The Brotherhood of Locomotive Engineers and Trainmen has stated that the Board's recommendations fail to address preventing employers from health-care "cost-shifting". The BMWWE would sign on to the board's recommendations if there is an increase in the railroads' coverage of worker travel expenses. Despite not controlling the majority of the workers involved in this dispute, these organizations have enough clout and power on their own in the railroad industry to do significant damage if their constituents choose to strike.

Analysts who study the railroad shipping industry, such as Christian Wetherbee from Citigroup Global Markets Inc. and independent analyst Tony Hatch, have indicated to the media in the past couple of weeks that they are not panicking over this situation. Having 60 percent of the unions in agreement encourages the remaining ones to come to some sort of understanding instead of becoming the odd man out. Shippers for the most part do not appear to be moving their cargo onto trucks or other forms of transportation.

What is also reassuring is that congress has historically been responsive to these kinds of strikes and will do what they can to prevent them. This is because a shut down of the railroad system causes the entire economy to slow down to a crawl. The problem is compounded by the fact that a lot more goods are shipped around this time of year when people are celebrating the holidays and buying everything off the store shelves.

Even Fred Simpson, president of the BMWWE, has stated this Thanksgiving Weekend that his

organization "...sent all the railroads a letter saying, 'We're not going to strike, we'd like to bargain until Feb. 10 to see if we can get something done.'" However, this promise is contingent on the whether or not the other two unions also agree to an extension which they have not done as of November 30th. They will have until the 29th of November to make a decision and today is November 30th.

The railroads are on a full court press right now to get rail customers (shippers) to contact their Congressional Representatives to not let a strike happen. On Tuesday, November 29th, House Speaker John Boehner (R-OH), Majority Leader Eric Cantor (R-VA) and Majority Whip Kevin McCarthy (R-CA) issued a statement yesterday that the House of Representatives is prepared to take action to avert a rail shutdown.

It is estimated that the economy would lose two billion dollars a day if a strike went into effect. Just as they had done in 1992, Congress would then most likely legislate a settlement similar to what is being recommended by the Presidential Emergency Board in order to prevent such an economic catastrophe from happening in the first place. There is no guarantee that December 6th will be a peaceful day for shippers but all of these points and historical trends indicate that the unions will more likely come to a settlement or continue negotiations after the date has past.